

On line schemes 12422 essay



**ASSIGN
BUSTER**

On line Schemes

Cyberspace was once a place inhabited largely by government agencies and academics linked together through a decentralized collection of computer networks that came to be known as the " Internet." The late 1980s and early 1990s gave birth to a torrent of commercial entrants into cyberspace, with the way led by CompuServe and then Prodigy and America Online. By the end of this year, an estimated four million American households will be online with these commercial services, which are the three largest such enterprises in the U. S. Additionally, hundreds of smaller companies have emerged to provide bulletin board services and local access to the world of Internet. 1

The number of Americans who are online has jumped 90 percent since 1992 alone, their ranks are expected to double or triple over the next two to three years. 2 According to Whole Earth Review, America Online more than doubled in size in a nine-month period, going from 300, 000 users to over 700, 000. 3 The New York Times, has described the Internet as the world's " new mass information market." 4

Today investors are in danger of being taken for a ride on the cyberspace. State securities regulators around the U. S. are concerned about the explosion of illicit investment schemes now flourishing on commercial bulletin board services and the informal web of computer networks that make up the Internet. An estimated four million U. S. households that already have access to the major online services are being exposed to

hundreds of fraudulent and abusive investment schemes, including stock manipulations, pyramid scams and Ponzi schemes. 5

The online frontiers are aware of some of the major rip-off techniques now in use. According to Fighting Computer Crime, the investment fraud problem could reach epidemic levels over the next few years as several million unsophisticated newcomers crowd onto the once lightly traveled information superhighway. 6 On the other hand, cyberspace can also educate investors, helping them to become much better investors.

For those who have been online, know that most sites has been commercialized by bulletin boards and discussion groups devoted to investment tips, advice and solicitations. According to one regulatory agency's count, more than 5, 600 new messages on investment topics were posted in 969 different topic areas featured on the Prodigy service during a recent two-week period. 7 Many of the investment specific messages now appearing on commercial services and the Internet openly hawk brokers, investment advisers, financial newsletters, and specific investment deals. Though many of the messages simply offer general stock-picking advice, investment possibilities, tips on specific stocks, moneymaking enterprises and service providers.

The Missouri Securities Division and the New Jersey Bureau of Securities announced on June 30, 1994 the first regulatory actions taken in the U. S. against online investment schemes. At least three other states currently have investigations underway into lying suspected investment fraud and abuse in cyberspace.

Investors were told “ how to make big money from your home computer” as part of the “ Electronic Message” scheme promoted by a San Antonio man and at least nine other individuals scattered around the U. S. According to a cease-and-desist action filed on June 30, 1994 by the New Jersey Bureau of Securities. In what might be referred to as an “ e-mail chain letter,” the promoter claimed that, in exchange for \$5, investors could earn a return of \$60, 000 in just three to six weeks. Participants were told to send \$1 to each of five people on an online list. Then, those who sent money were to add their own name to the list and post a message explaining the scheme on at least 10 different computer bulletin board sites. The scheme amounted to a high-tech variation on the old pyramid scam, which is barred under federal and state laws. 8

Just as investment con artists wasted no time in taking advantage of the mails and the telephone as means by which to fleece large numbers of unsuspecting investors, so too have swindlers started in with a vengeance to exploit cyberspace. While many of those on bulletin boards dedicated to investment topics are interested in little more than swapping ideas about specific stocks and exchanging general financial advice, there is increasing evidence that a shady group of individuals are milking the online world in order to enrich themselves in what is often a blatantly fraudulent and abusive fashion.

State securities regulators have identified the following as being among the major investment scheme problems in the online world today: 9

Manipulation of obscure thinly traded stocks. Most commercial bulletin board services allow individuals to post messages not only under an alias but multiple aliases. It is impossible for subscriber to assert' the true identity of the individual behind the message.

Through a combination of puffery, speculation, and breathless claims of supposedly inside information about pending announcements, product innovations, and new contracts, the schemers seek to run up the price of the stock, which starts rising as unwary investors read of the " great opportunity" and buy shares.

Misconduct by phony and unlicensed brokers/investment advisors;
Undisclosed interests of promoters; The anonymity of cyberspace is exploited to the hilt by schemers who promote fraudulent and abusive investment schemes.

Some of the investment fraud and abuse problems now have been in circulation for many years. But accesses to the online world represent an enormous advance in the ability of con artists to victimize the unwary.

The most important thing is that there will never be enough enforcement to keep the online world free from fraud and abuse. Even though state securities agencies and other investment regulators have rise serious efforts in recent months to stop cyber-fraud, the truth is that there are too many places in the online world for swindlers to set up shop.

Footnotes

1. Kelly, K. "Cyberpunks, E-money, and the Technologies of Disconnection." Whole Earth Review, Summer 1993: p. 43
2. Ibid
3. Ibid
4. Markoff, J. "Hacker Indicted on Spy Charges." New York Times, December 8, 1996: p. 13
5. Perry, L. Computer Crime. New York: Franklin Watts, 1997
6. Parker, D. B. Fighting Computer Crime. New York: Scribers, 1997
7. Perry, L. Computer Crime. New York: Franklin Watts, 1997
8. Ibid.
9. "Security Survey Reveals." PC User, April 21, 1993: p. 20